



WARC

Warc cuts 2015 adspend growth forecast to 2.3%

- Expectations downgraded by 2.5pp amid slowdown in the US and China
- Internet is forecast to become largest medium for advertising in 2016
- TV adspend forecast to fall 1.9% this year

London, 22nd July 2015

Warc (www.warc.com), the marketing intelligence service, expects global advertising spend (based on 12 major markets) to increase by 2.3% at current prices in 2015, according to its latest *International Ad Forecast*. This represents a downgrade of 2.5pp from the 4.8% growth forecast in our previous report in December. We anticipate further growth of 4.5% next year.

If inflation is taken into account, global adspend in real terms is expected to rise by 1.2% this year and a further 2.4% in 2016. The 12 markets studied comprise 75% of all advertising expenditure tracked by Warc.

The 2015 outlook has been downgraded for half of our 12 major markets including the two largest, the US (-3.0pp) and China (-1.5pp). The biggest single cut was for Russia (-15.1pp), which is suffering from low oil prices and decreasing consumer spend.

Forecast adspend growth in 2015, % change year-on-year

	Current prices	Constant 2005 prices*	Percentage point change vs December (current prices)
Australia	2.6	0.7	+0.2
Brazil	4.8	3.1	+1.1
Canada	0.8	-0.4	-2.9
China	9.0	7.0	-1.5
France	-0.2	-0.4	-0.5
Germany	2.1	1.6	+0.7
India	16.1	9.8	+1.0
Italy	0.2	0.1	-0.7
Japan	1.9	1.0	+0.3
Russia	-13.1	-24.4	-15.1
UK	6.6	6.3	-0.3
US	1.4	0.9	-3.0
Global	2.3	1.2	-2.5

*Constant 2005 price forecasts take into account predicted inflation.

Forecast growth calculated in local currency. Source: Warc's International Ad Forecast



India (16.1%) and China (9.0%) are predicted to record the strongest annual increases in adspend in 2015, however both are susceptible to high levels of inflation. The UK then follows, with estimated growth of 6.6% this year. Russia (-13.1%) and France (-0.2%) are the only markets in which we expect spend to decline.

The US, the world's largest ad market, is expected to see adspend rise 1.4% this year after a downgrade of 3.0pp since our last report. American television is the largest single medium for advertising in the world, and spend hit a record US\$65.7bn in 2014. However, without the stimulus of major sporting and political events, and a weak 'upfronts' period earlier this year, we forecast an annual fall in US TV adspend of 3.3% in 2015.

Looking to 2016, we expect all markets – with the exception of Russia – to show growth in adspend at current prices. India will continue to increase advertising spend at the fastest rate (+12.4%), followed by Brazil (+7.7%), which should benefit from hosting the Olympics.

By the end of the forecast period, advertising spend across our 12 major markets should total US\$413.7bn at current prices. In real terms, after accounting for inflation, the total is US\$325.3bn – US\$8.5bn below the peak preceding the global economic crisis.

Internet forecast to become largest medium for advertising in 2016

Across all key markets, internet adspend will continue to register rapid growth, rising 16.1% and 12.9% this year and next. Conversely, advertising expenditure for TV is expected to fall by 1.9% this year, although these losses will be negated by a forecast 2.5% rise in 2016.

On the current trajectory, internet will become the largest medium for advertising in 2016. Internet is already the biggest ad platform in 6 of our 12 major markets.

Rises in ad expenditure for cinema (+3.2%) and outdoor (+0.3%) are also forecast this year, however spend on magazines (-10.4%), newspapers (-9.2%) and radio (-1.2%) is expected to fall.

James McDonald, Data Analyst at Warc, commented: "After a strong rise in global advertising spend last year, the outlook for 2015 is more sobering. With three of the world's largest economies now in recession, and slowdowns seen in the US and China, we expect a degree of caution when it comes to committing ad budgets this year.

"That said, advertisers have increased spend every year since the 2009 crash, with the influx of money for internet ads underlining the growing range of options for marketers."

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About Warc

Warc is an online service offering advertising best practice, evidence and insights from the world's leading brands. Warc helps clients grow their businesses by using proven approaches to maximise advertising effectiveness.

Warc's clients include the world's largest advertising and media agencies, research companies, universities and advertisers.

In addition to its own content, Warc features advertising case studies and best practices from more than 50 respected industry sources, including: ARF, Effies, Cannes Lions, ESOMAR and IPA. Warc hosts three annual case study competitions: Warc Prize for Innovation, Warc Prize for Social Strategy and Warc Prize for Asian Strategy.

Founded in 1985, Warc is privately owned and has offices in the UK, US and Singapore.

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